



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
COMMISSION ON ECONOMIC DEVELOPMENT
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-999.06**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

999.06

FINANCIAL AUDIT REPORT
COMMISSION FOR ECONOMIC DEVELOPMENT
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

October 17, 1980

999.06

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Commission for Economic Development, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; Gus Demas; Geraldine Parks; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment *DW*

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Commission for Economic Development. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The commission was created under the authority of Section 14999 of the Government Code, Chapter 121, Statutes of 1973, and by Chapter 1230, Statutes of 1971. The enabling legislation specifically provides that the commission shall

- Make recommendations concerning legislation affecting the economic development of the State;
- Consider programs to further the economic development of the State;
- Appoint advisory committees.

The programs of the Commission for Economic Development are supported by appropriations from the State's General Fund.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Commission for Economic Development as of June 30, 1979 and the related statement of financing sources, expenditures, and changes in operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Commission for Economic Development at June 30, 1979 and the results of operations and changes in operating clearing for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1979 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.


WESLEY E. VOSS
Assistant Auditor General

Date: March 15, 1980

Staff: Curt Davis, CPA
Romero Zamora
Gus Demas
Geraldine Parks
Teri Yee
Michael Tritz
Charles Thrasher

COMMISSION FOR ECONOMIC DEVELOPMENT
COMBINED BALANCE SHEET
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP

JUNE 30, 1979

	Governmental Fund Type General Fund	Account Group General Fixed Assets	Totals (Memorandum Only) June 30, 1979
<u>ASSETS</u>			
Cash	\$ 507	\$ --	\$ 507
Accounts receivable	190	--	190
Prepayments to other funds	1,837	--	1,837
Expense advances to employees	2,181	--	2,181
Equipment	<u>--</u>	<u>20,721</u>	<u>20,721</u>
Total Assets	<u>\$ 4,715</u>	<u>\$20,721</u>	<u>\$ 25,436</u>
<u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	<u>\$ 17,576</u>	<u>\$ --</u>	<u>\$ 17,576</u>
Encumbrances Outstanding	<u>24,424</u>	<u>--</u>	<u>24,424</u>
Fund Equity:			
Investment in general fixed assets	--	20,721	20,721
Operating clearing (Note 4)	<u>(37,285)</u>	<u>--</u>	<u>(37,285)</u>
Total Fund Equity	<u>(37,285)</u>	<u>20,721</u>	<u>(16,564)</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 4,715</u>	<u>\$20,721</u>	<u>\$ 25,436</u>

The notes to the financial statements are an integral part of this statement.

COMMISSION FOR ECONOMIC DEVELOPMENT
STATEMENT OF FINANCING SOURCES, EXPENDITURES,
AND CHANGES IN OPERATING CLEARING - BUDGET AND ACTUAL
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance</u>
Financing Sources: (Note 2)			
Support appropriations	<u>\$308,679</u>	<u>\$246,236</u>	<u>\$(62,443)</u>
Expenditures: (Note 2)			
Personal services	171,409	145,375	26,034
Operating expenses and equipment	137,270	104,146	33,124
Miscellaneous adjustments (Note 3)	<u>--</u>	<u>3,276</u>	<u>(3,276)</u>
Total Expenditures	<u>308,679</u>	<u>252,797</u>	<u>55,882</u>
Excess of Financing Sources over (under) Expenditures	<u>\$ --</u>	(6,561)	<u>\$ (6,561)</u>
Operating Clearing - July 1		<u>(30,724)</u>	
Operating Clearing - June 30		<u>\$(37,285)</u>	

The notes to the financial statements are an integral part of this statement.

COMMISSION FOR ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Commission for Economic Development. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type and an Account Group. The Commission for Economic Development accounts for only its portion of the fund type category. The State Controller maintains the central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The Governmental Fund Type for the Commission for Economic Development is the General Fund which includes all financial resources accounted for by the commission.

The General Fund is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year all income is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the commission are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the commission and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$15,146.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$12,320 during the fiscal year.

2. BUDGETED FINANCING SOURCES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for financing sources and expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

3. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of financing sources, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of financing sources, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

4. OPERATING CLEARING

This account is the connecting link between the records of the various state agencies and the central fund accounts of the State Controller for the General Fund and other funds not accounted for entirely by one agency. The balance at June 30 represents the net assets and liabilities for which the Commission for Economic Development is accountable.

OTHER INFORMATION

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the commission and at the Department of General Services (which maintains the commission's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the commission's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the commission in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The commission generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps